

# HOUSE BILL REPORT

## ESSB 5073

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As of Second Reading

**Title:** An act relating to consolidating accounts into the state general fund.

**Brief Description:** Improving budget transparency by consolidating accounts into the state general fund.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Zarelli, Swecker, Benton and Parlette).

**Brief History:**

**Committee Activity:**

None.

### Brief Summary of Engrossed Substitute Bill

- Abolishes and consolidates into the State General Fund the following accounts: Health Services Account, Violence Reduction and Drug Enforcement Account, Water Quality Account; Public Safety and Education Account (including the Equal Justice Subaccount); Student Achievement Fund, Education Legacy Trust Account, and the Pension Funding Stabilization Account.

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**Staff:** Kristen Fraser (786-7148)

**Background:**

Accounts.

Most state revenue is deposited in the State General Fund. In addition, the Legislature has created a number of dedicated funds to support specific state programs.

The Health Services Account was established by the Legislature in 1993 to provide funding for health services, including health care for low-income residents, the public health system, tobacco prevention and control, and the basic health plan. The primary revenue sources of

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the Health Services Account are cigarette and tobacco products taxes, alcohol taxes, a health insurance premium tax, and hospital business and occupation taxes. The Health Services Account is subject to the state expenditure limit under Initiative 601.

The Violence Reduction and Drug Enforcement Account was established by the Legislature in 1989 to provide funding for public safety programs, including drug and alcohol abuse prevention programs, juvenile rehabilitation programs, and local public safety grants. The primary revenue sources of the Violence Reduction and Drug Enforcement Account are cigarette and alcohol taxes, firearm license fees, the soda syrup tax, and the proceeds of drug forfeitures and seizures. The Violence Reduction and Drug Enforcement Account is subject to the state expenditure limit under Initiative 601.

The Water Quality Account was established by the Legislature in 1986 to provide funding for grants and loans to public entities for water pollution control facilities and activities. The primary revenue sources of the Water Quality Account are cigarette taxes, sales taxes on components of certain water pollution control facilities, and loan repayments. The Water Quality Account is subject to the state expenditure limit under Initiative 601.

The Public Safety and Education Account was established by the Legislature in 1984 to provide funding for traffic safety education, highway safety, criminal justice training, crime victims' compensation, judicial education and court administration, the judicial information system, civil and criminal legal representation of indigent persons, winter recreation parking, drug court operations, state game programs, and other public safety programs. The primary revenue source for the Public Safety and Education Account is court fines, fees, and forfeitures. Within the Public Safety and Education Account, the Equal Justice Subaccount provides funding for civil and criminal indigent legal representation, representation of parents in dependency and termination proceedings, and contributions to district and municipal judges' salaries. The Public Safety and Education Account is subject to the state expenditure limit under Initiative 601.

The Student Achievement Fund was established in 2000 by Initiative 728 for distribution to school districts for class size reductions, extended learning opportunities, professional development for educators, early learning assistance to children, and facilities improvements related to these purposes. The primary revenue sources of the Student Achievement Fund are a portion of the state property tax levy and appropriations from the Education Legacy Trust Account. The Student Achievement Fund is subject to the state expenditure limit under Initiative 601.

#### Expenditure Limit.

Initiative 601 established a state expenditure limit. As subsequently amended, the expenditure limit applies to the General Fund and to several "related funds:" the Health Services Account, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Public Safety and Education Account (including the Equal Justice Subaccount), and the Student Achievement Fund.

#### General State Revenues.

The term "general state revenues" is defined in the State Constitution as all state revenues that are not dedicated to a particular purpose, with certain additional exclusions. General state revenues thus consist of all revenues to the State General Fund, with the exception of state property tax revenues, which are dedicated to the common school system.

The amount of general state revenues affects the calculation of: (1) the constitutional and statutory state debt limits; and (2) the amount of the annual deposit into the Budget Stabilization Account (also known as the "rainy day fund").

Because the accounts described above are statutorily dedicated to particular purposes, they are not included in the calculation of general state revenues for purposes of the state debt limit and deposits to the Budget Stabilization Account.

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**Summary of Bill:**

On July 1, 2009, the following state accounts are abolished and any remaining balances are transferred to the State General Fund: the Health Services Account, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Public Safety and Education Account (including the Equal Justice Sub-Account), and the Student Achievement Account. (These are the accounts that are currently subject to the state expenditure limit.)

Revenues previously deposited to these accounts will be deposited in the State General Fund. The statutory dedications of these revenues are deleted, with the exception of the moneys dedicated to student achievement programs.

The addition of these revenues to the State General Fund, to the extent that these revenues are no longer statutorily dedicated to a particular purpose, will increase the state debt limit and the amount of annual deposits to the Budget Stabilization Account.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2009.

**Staff Summary of Public Testimony:**

None.

**Persons Testifying:** None.

**Persons Signed In To Testify But Not Testifying:** None.